



- **Ukraine to declare state of national emergency** ([link](#))
- **Traders reduce expectations of ECB tightening** ([link](#))
- **EU gas storage to remain low even after soft winter demand** ([link](#))
- **Cash-out refinances increase as US house prices rise** ([link](#))
- **US PMI shows strong expansion in output** ([link](#))
- **US consumer confidence falls as inflation expectations edge higher** ([link](#))
- **New Zealand's central bank raised the policy rate by 25 bps, as expected** ([link](#))

[Mature Markets](#)

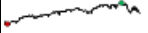

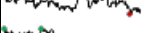
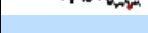


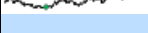

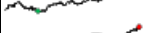

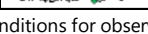
| [Emerging Markets](#)

| [Market Tables](#)

Markets steady after sanctions

Investors pare losses after the West launched its initial salvo of sanctions on Russia. Global share prices are pointing higher in Europe and the US as investors shrug off the first round of Western sanctions on Russia, which did not touch the country's largest financial institutions nor its oil complex. Russian CDS spread widening and option-based bets on further currency depreciation are however intensifying in the wake of sanctions, while local equity markets were closed for a holiday and the ruble's spot rate has remained stable around its highs of about 80. A new focus for investors is whether commodity price spillovers from a Russia-Ukraine conflict could add to global inflation, adding to central bank tightening pressures. Yesterday, US two-year breakeven yields ripped 9 bps higher on rising oil prices, flattening the yield curve. Comments from Fed Gov. Bowman on Monday put a 50 bp March rate hike back on the table, which helped push the market-implied odds of such an event back up to 40%, from around 13% previously.

Key Global Financial Indicators

Last updated: 2/23/22 8:07 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
S&P 500		4305	-1.0	-2	-2	11	-10
Eurostoxx 50		4030	1.1	-3	-5	9	-6
Nikkei 225		26450	-1.7	-2	-4	-12	-8
MSCI EM		48	-1.4	-1	-2	-14	-2
Yields and Spreads			bps				
US 10y Yield		1.98	3.8	-6	22	64	47
Germany 10y Yield		0.25	0.6	-3	31	56	43
EMBIG Sovereign Spread		403	7	22	17	54	36
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		53.7	-0.1	0	1	-7	2
Dollar index, (+) = \$ appreciation		96.0	-0.1	0	0	6	0
Brent Crude Oil (\$/barrel)		96.7	-0.2	2	10	48	24
VIX Index (% change in pp)		28.0	-0.8	2	-1	5	11

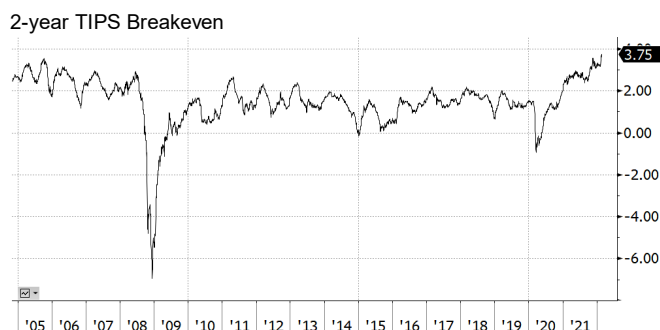
Colors denote **tightening/easing** financial conditions for observations greater than ± 1.5 standard deviations. Data source: Bloomberg.

Mature Markets

[back to top](#)

United States

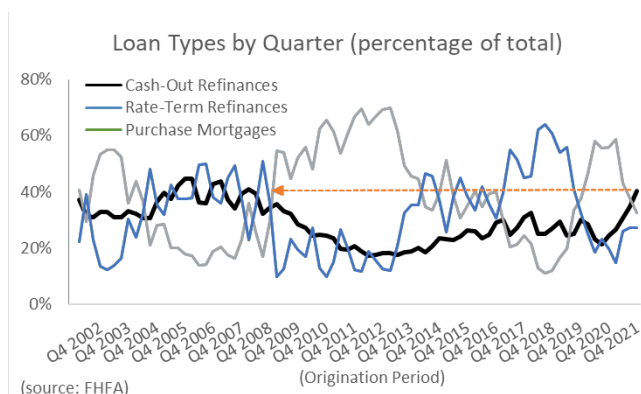
US equities fell and oil prices surged on Tuesday as the Ukraine crisis continued to fester. The S&P 500 closed down 1%, paring earlier losses after falling as low as 1.9%. Oil prices erased some of the earlier gains as the Iranian nuclear negotiation is likely to reach a conclusion soon but closed up to reach another highest level since 2014. The Treasury yield curve continued to flatten as 2-year yields rose while 10-year yields were almost flat after fluctuating during the day. **TIPS 2-year breakevens increased by 9bps to 3.75%, hitting its record level for nearly two decades amid higher oil prices.**



The US composite PMI increased in February to 56.0 from an 18-month low of 51.1 in the previous month as both manufacturing and service sectors recorded strong expansion in output. According to the press release, companies reported a notable recovery in demand as customers reportedly made additional purchases to avoid future price hikes. However, **inflationary pressure also rose in February with higher raw material, transportation, and wage costs, and an increasing number of companies sought to share these costs with their customers.**

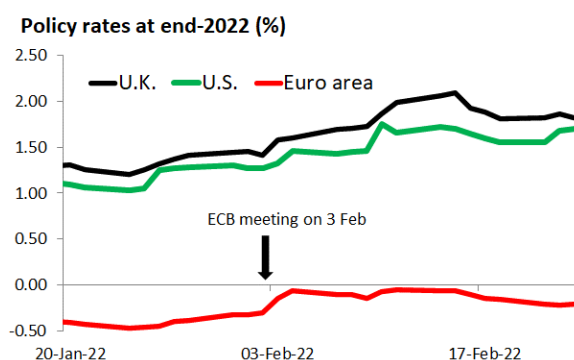
US consumer confidence index fell in February (110.5 vs. 111.1 in January) for a second consecutive month. The expectations index continued to soften (87.5 vs. 88.8 in January) while the present situation index recovered (145.1 vs. 144.5 in January). The **expectations for twelve months inflation increased to 7.0%** after easing in the prior two months (6.8% in January, 6.9% in December).

US house prices continued to rise in December. The FHFA house price index increased 1.2% m/m more than expected (1.0%) with an upward revision of the previous month (from 1.1% to 1.2%). Housing prices rose in all 50 states and the District of Columbia between the fourth quarters of 2020 and 2021, with the highest annual appreciation of Arizona, Utah, Idaho, Florida, and Tennessee. **As house prices have been increasing, cash-out refinancing activity in Q4 2021 surged to 40.2% of all loans, the highest share since early 2008.**



Euro area

Equities (+1%) traded higher and 10-year bund yields were little changed as Banque de France governor Villeroy said that the ECB is monitoring geopolitical developments closely. The governor emphasized that the ECB will assess indirect consequences for inflation and growth, and intends to keep optionality about the right monetary stance and flexibility about to guarantee the right monetary transmission. Following the hawkish ECB meeting on 3 February, money markets priced in almost two rates hikes of 25 bps for this year. **Traders have reduced expectations for tightening with about one hike of 25 bps being priced currently by year-end.**

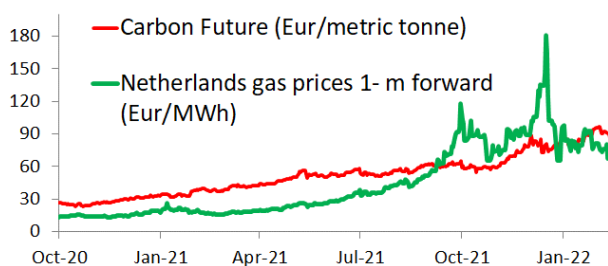


Source: Bloomberg and IMF staff

Italian 10-year spreads were little changed at 168 bps with some contacts pointing to profit taking on short positions after spreads rose 40 bps this month. Spanish 10-year spreads have risen 30 bps over the same period.

Despite softer demand and strong LNG flow, weaker-than-expected Russian supplies are expected to leave EU gas inventories low at the end of this winter (with some estimates around 20 bcm). German Economy Minister Habeck said that Germany could get sufficient gas and energy resources beyond Russian gas imports but also added that energy ties with Russia have survived previous crises and that a halt to the certification in Nord Stream 2 does not mean that the pipeline is off the table for good. **European natural gas prices trade below the peak of end 2021 but remain very elevated and volatile.**

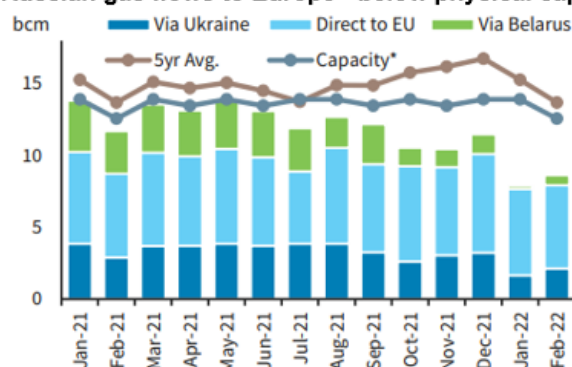
Europe: Price of natural gas and carbon futures



Source: Bloomberg and IMF staff

Natural gas flows from Russia remain well below where they would normally be at this time of year. The EU is discussing an increase in LNG exports with Qatar, Nigeria, Japan and Azerbaijan but analysts at Barclays warn that replacing 150-190bcm/yr of Russian gas is not achievable in the short term. **Last week EC President von der Leyen said that the EU has an emergency plan in the case that gas supplies from Russia are partially or completely disrupted.** The EC is also working with national EU governments to potentially mandate minimum levels of gas storage going into next winter.

Russian gas flows to Europe - below physical capacity and 5-yr average



*Capacity is an estimate of full utilisation of the three routes, for Ukraine this is the contracted uninterruptible level of 45bcm p/a.
Source: Gazprom data, Barclays Research

Japan

Markets were closed for a public holiday.

New Zealand

The Reserve Bank of New Zealand (RBNZ) raised the policy rate by 25 bps to 1% as expected. The RBNZ raised its policy rate for a third straight meeting and signaled that it will need to hike further than previously expected to contain inflation. The RBNZ expects the policy rate to rise to 2.5% over the next 12 months and peak at 3.25% at end-2023, above the previous forecast peak of 2.5%. The RBNZ will begin quantitative tightening in July, reducing its holding of bonds purchased under the Large Scale Asset Purchase program; the RBNZ will also not reinvest the proceeds of maturing bonds. Government bond yields rose (1-year: +2.1 bps; 10-year: +9.2 bps); New Zealand dollar appreciated (+0.9%); equities gained (+0.2%).

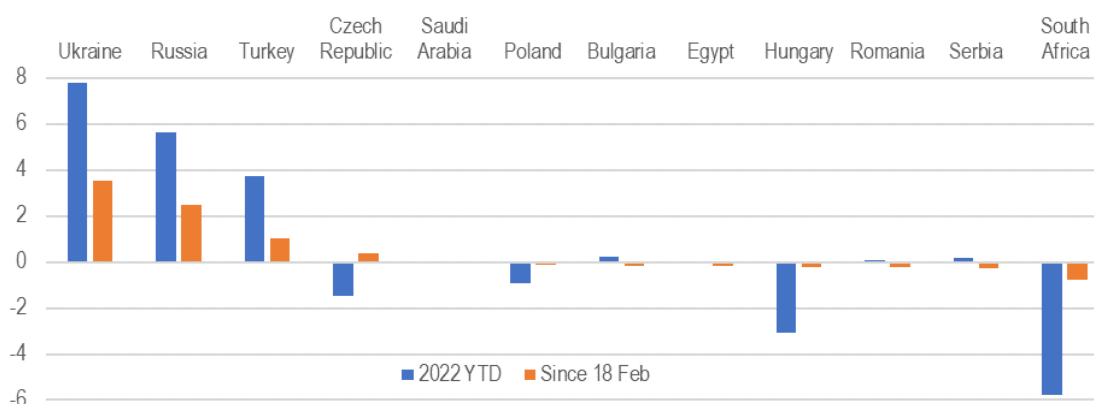
Emerging Markets

[back to top](#)

Asian equities gained, +0.3% on net, led by Chinese (CSI 300: +1.1%) and Indonesian (+0.8%) equities. Share prices dropped (-3.5%) in Sri Lanka. Most Asian currencies appreciated, led by Philippine peso (+0.7%), Thai baht (+0.4%), and Indian rupee (+0.4%). Long-end government bond yields were mixed, with 10-year yields rising in Hong Kong SAR (+4.8 bps) and Thailand (+4.4 bps) while falling in Philippines (-3.0 bps) and China (-2.9 bps). In Hong Kong SAR, the finance secretary in the budget speech announced sizeable measures to fight the pandemic and support the economy amid the recent outbreak. The budget speech also indicated plans to allow stocks under the Southbound Stock Connect to be traded in renminbi and to examine the listing requirements to meet the fund-raising needs of tech firms.

EMEA equities were trading mixed this morning as investors assess the impact of sanctions on Russia. Equity indices in Turkey (+1.1%) and Romania (+1.1%) were outperforming, while equity markets in South Africa (-1%) underperformed ahead of the National Budget speech later today. The Moscow Stock Exchange is closed for a public holiday. **EMEA currencies were also trading mixed with contacts noting that there is no clear sense of broad risk-off trading following an escalation in the Ukraine-Russia tensions yesterday.** The Russian ruble (-1.2%) and Ukrainian hryvnia (-1%) were trading weaker against the dollar this morning, while the Czech koruna (+0.4%) outperformed following data showing that PPI inflation increased to +19.4% yoy in January (consensus 13.2%). **According to media reports, Ukraine has approved plans to declare a state of national emergency, seen to be introduced for 30 days.**

EMEA - selected currencies exchange rates (% change)



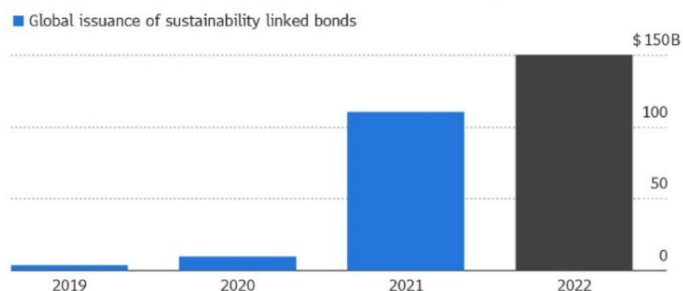
Latin American equity markets were mixed on Tuesday, with Mexico (+1.1%) gaining, Brazil (+1%) recovering some losses for the past week, while Peru (-1.5%) and Chile (-1.2%) sliding. **Currencies were mixed as well.** The Mexican peso (-0.1%) retreated for a third time in four days. The Brazilian real (+0.7%) keeps rallying, reaching its strongest level in more than six months, as foreign inflows continue to dominate. Paraguay raised the benchmark rate to its six-year-high of 5.75% from 5.5% as inflation soars. Policymakers also see droughts affecting the 2022 growth outlook for Paraguay.

Chile

Chile is set to become the first nation to issue sustainability-linked bonds (SLB). According to Bloomberg, the SLB offering would be part of the country's planned sale of \$2 billion in Environmental, Social and Governance (ESG) bonds overseas this month. The Finance Ministry said in a statement on Tuesday that Chile intends to use the proceeds from its first SLB sale to address greenhouse emissions and to promote the usage of renewable energy. According to data compiled by Bloomberg, global sales of SLBs reached a record \$110 billion in 2021, compared with \$11 billion issued in 2020. Moody's ESG Solutions forecasts issuance of the debt to hit \$150 billion in 2022.

Meteoric Rise

Global sales of sustainability-linked bonds seen hitting new record



Source: Bloomberg

Note: 2019-2021 data is full year issuance globally from corporations and governments. 2022 is forecast from Moody's ESG Solutions

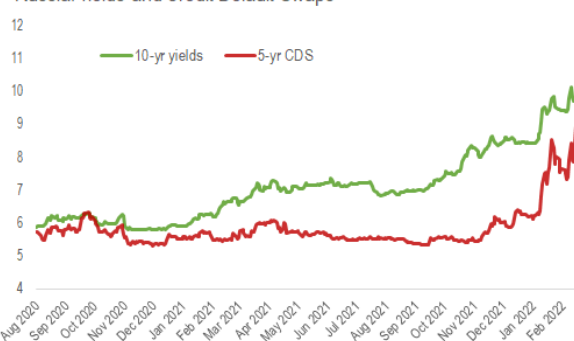
Bloomberg

Russia

CDS credit spreads increased by an additional 30 bps this morning to trade 95 bps higher this week after sanctions were imposed on Russia. Yesterday the US, UK and EU announced the first tranche of economic sanctions on Russia that include freezing assets of some Russian banks, parliamentarians, and oligarchs, as well as restrictions on the sale of Russian debt. Germany also announced that it will suspend

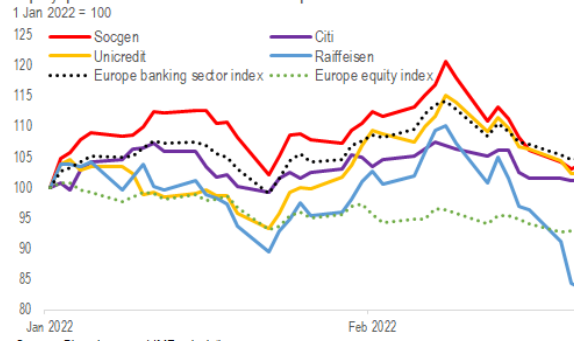
the certification of the Nord Stream 2 gas pipeline. Bloomberg reports that further details of EU sanctions will be published later today and take effect immediately. **Earlier today, Australia and Japan announced similar sanctions.** The West warned that further sanctions could follow. **The sanctions were broadly viewed as modest,** with some contacts noting that as part of preventative measures Russian capital was already repatriated. **European bank stock (+1.2%) were trading higher this morning as equity prices of Western banks active in Russia were generally marginally higher.** Raiffeisen stands out, with shares down 13% since the start of the week, compared to a loss of 3.4% for Unicredit and 2% for Socgen.

Russia: Yields and Credit Default Swaps



Source: Bloomberg and IMF calculations

Equity performance of banks with exposure to Russia



Source: Bloomberg and IMF calculations

Sri Lanka

The country is facing an energy crisis as it runs out of foreign currency to pay for imports. On Monday, the government said it ran out of cash to buy imported fuel, with shipments of fuel waiting at the port for payment. Authorities are also imposing power cuts on a staggered basis as fuel shortages hit thermal electricity generation. President Rajapaksa instructed authorities to make funds available to purchase fuel for thermal electricity generation. The government indicated that it will work with multinational agencies, including the IMF, to overcome the crisis. The Sri Lankan rupee was little changed, after depreciating 0.6% at market opening. Equities dropped (-3.5%), recovering from the selloff earlier on the day. Trading was suspended twice today (30 minutes for each halt) after the stock market declined by 5% and 7.5%, respectively, during the day.

This monitor is prepared under the guidance of Ranjit Singh (Assistant Director), Nassira Abbas (Deputy Division Chief), Antonio Garcia-Pascual (Deputy Division Chief) and Evan Papageorgiou (Deputy Division Chief). Fabio Cortes (Senior Economist), Reinout De Bock (Economist-London representative), Sanjay Hazarika (Senior Financial Sector Expert), Henry Hoyle (Financial Sector Expert), Tom Piontek (Financial Sector Expert) and Jeff Williams (Senior Financial Sector Expert) are the lead editors of this monitor. The contributors are Sergei Antoshin (Senior Economist), Liumin Chen (Research Assistant), Yingyuan Chen (Financial Sector Expert), Mohamed Diaby (Economist, EP), Dimitris Drakopoulos (Senior Financial Sector Expert), Torsten Ehlers (Senior Financial Sector Expert), Deepali Gautam (Research Officer), Rohit Goel (Financial Sector Expert), Frank Hespeler (Senior Financial Sector Expert), Shoko Ikarashi (Externally Financed Appointee), Phakawa Jeasakul (IMF Resident Representative in Hong Kong SAR), Esti Kemp (London Representative), Kleopatra Nikolaou (Senior Financial Sector Expert), Natalia Novikova (IMF Resident Representative in Singapore), Dmitry Petrov (Financial Sector Expert), Patrick Schneider (Research Officer), Juan Solé (Senior London Representative), Dmitry Yakovlev (Senior Research Officer), Akihiko Yokoyama (Senior Financial Sector Expert), and Xingmi Zheng (Research Assistant). Javier Chang (Senior Administrative Assistant) and Srujana Sammeta (Staff Assistant) are responsible for word processing and production of this monitor.

Disclaimer: This is an internal document produced by the Global Markets Analysis Division (GA) of the Monetary and Capital Markets Department. It reflects GA staff's interpretation and analysis of market views and developments. Market views presented may or may not reflect a consensus of market participants. GA staff do not independently verify the accuracy of all data and events presented in this document.

Global Financial Indicators

Last updated: 2/23/22 8:06 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		4320	-1.0	-3	-2	11	-9
Europe		4030	1.1	-3	-5	9	-6
Japan		26450	-1.7	-2	-4	-12	-8
China		4623	1.1	0	-3	-15	-6
Asia Ex Japan		80	-1.6	-1	-3	-19	-3
Emerging Markets		48	-1.4	-1	-2	-14	-2
Interest Rates			basis points				
US 10y Yield		1.98	3.8	-6	22	64	47
Germany 10y Yield		0.25	0.6	-3	31	56	43
Japan 10y Yield		0.20	0.0	-2	6	7	13
UK 10y Yield		1.47	-0.4	-6	30	75	50
Credit Spreads			basis points				
US Investment Grade		141	-0.7	6	20	50	29
US High Yield		406	-4.3	5	46	57	68
Europe IG		70	-1.7	3	12	20	22
Europe HY		343	-6.9	20	62	88	102
Exchange Rates			%				
USD/Majors		95.95	-0.1	0	0	6	0
EUR/USD		1.13	0.2	0	0	-7	0
USD/JPY		115.1	0.0	0	1	9	0
EM/USD		53.7	-0.1	0	1	-7	2
Commodities			%				
Brent Crude Oil (\$/barrel)		97	-0.2	2	10	48	24
Industrials Metals (index)		189	-0.1	2	3	27	9
Agriculture (index)		69	0.5	5	10	32	14
Implied Volatility			%				
VIX Index (% change in pp)		28.0	-0.8	2.3	-0.9	4.9	10.8
US 10y Swaption Volatility		93.0	-1.7	2.3	7.9	16.1	14.0
Global FX Volatility		7.7	0.0	0.1	0.4	0.1	0.2
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		238	-0.1	-2	61	113	86
Italy		168	-0.2	4	33	72	33
Portugal		91	0.6	4	28	34	26
Spain		102	-0.3	2	31	34	27

Colors denote **tightening**/**easing** financial conditions for observations greater than ± 1.5 standard deviations.

Data source: Bloomberg.

Emerging Market Financial Indicators

Last updated: 2/23/2022 8:09 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)						
	Level		Change (in %)					Level		Change (in basis points)				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
	vs. USD		(+)= EM appreciation					% p.a.						
China		6.32	0.1	0.3	0	2	1		2.9	-4.6	4	16	-49	1
Indonesia		14338	0.2	-0.6	0	-2	-1		6.5	-0.6	-2	7	-9	12
India		75	0.4	0.7	0	-3	0		6.3	0.0	0	9	75	0
Philippines		51	0.7	0.3	0	-5	0		5.0	0.0	0	43	128	50
Thailand		32	0.5	0.0	2	-7	3		2.2	1.5	1	8	63	38
Malaysia		4.18	0.0	0.0	0	-3	0		3.7	0.7	-1	-1	68	8
Argentina		107	-0.1	-0.7	-3	-17	-4		47.7	-33.6	-119	-110	514	-289
Brazil		5.01	1.0	2.4	10	9	11		11.6	-2.0	2	8	314	88
Chile		787	0.8	1.6	3	-10	8		5.9	0.0	2	44	296	50
Colombia		3922	0.2	1.1	1	-8	4		7.8	0.0	-3	37	302	136
Mexico		20.21	0.5	0.3	2	2	2		7.8	0.0	3	29	185	31
Peru		3.7	0.8	1.9	3	-2	7		6.0	0.1	-4	#####	186	10
Uruguay		43	0.5	0.7	4	0	4		8.2	7.1	-3	-55	116	-57
Hungary		315	-0.3	-0.9	1	-6	3		4.8	-1.0	-3	9	252	28
Poland		4.01	0.1	-1.3	1	-7	1		3.9	4.5	-12	7	238	36
Romania		4.4	0.1	-0.4	0	-8	0		5.2	0.9	-2	18	250	33
Russia		80.1	-1.6	-6.2	-2	-8	-6		11.1	38.0	121	114	427	230
South Africa		15.0	0.3	-0.3	2	-3	6		7.5	1.0	-1	-14	30	9
Turkey		13.82	-0.2	-1.6	-3	-49	-4		22.3	15.0	27	-35	919	-207
US (DXY, 5y UST)		96	-0.1	0.0	0	6	0		1.90	3.9	-2	34	134	64

	Equity Markets							Bond Spreads on USD Debt (EMBIG)						
	Level		Change (in %)				YTD	Level		Change (in basis points)			YTD	
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	7 Days	30 Days	12 M		
								basis points						
China		4623	1.1	0	-3	-15	-6		208	3	8	-9	5	
Indonesia		6920	0.8	1	4	11	5		189	10	8	13	24	
India		57232	-0.1	-1	0	13	-2		158	3	16	6	26	
Philippines		7364	-1.0	-1	2	9	3		140	14	29	43	39	
Malaysia		1586	0.6	-1	4	2	1		135	7	15	0	18	
Argentina		90441	0.5	3	8	89	8		1723	-37	-186	242	43	
Brazil		112892	1.0	-2	4	-2	8		331	15	12	54	20	
Chile		4468	-0.1	-4	-4	0	4		173	18	20	32	33	
Colombia		1492	-0.2	-1	-2	10	6		385	27	30	163	37	
Mexico		52600	1.1	-1	2	16	-1		368	17	25	23	36	
Peru		23392	-1.5	-3	2	1	11		189	15	29	55	39	
Hungary		48317	0.3	-7	-7	13	-5		157	12	28	17	33	
Poland		64285	-0.2	-5	-7	13	-7		12	6	-6	-17	-20	
Romania		13184	1.4	-1	3	29	1		223	16	25	27	30	
Russia		3085	0.0	-15	-10	-10	-19		358	113	115	187	181	
South Africa		75188	-0.6	-2	0	14	2		392	15	22	5	37	
Turkey		2033	0.8	0	1	34	9		555	22	9	133	-23	
Ukraine		519	0.0	0	-1	0	-1		1157	252	241	639	398	
EM total		48	0.4	-1	-2	-14	-2		440	27	25	89	54	

Colors denote **tightening**/easing financial conditions for observations greater than ± 1.5 standard deviations. Data source: Bloomberg.

[back to top](#)